

NORTH CADDO HOSPITAL SERVICE DISTRICT,
d/b/a NORTH CADDO MEDICAL CENTER

VIVIAN, LOUISIANA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2001

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

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August 29, 2001

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

We have audited the accompanying proprietary fund balance sheets of North Caddo Hospital Service District, d/b/a North Caddo Medical Center, component unit of the Caddo Parish Commission, at June 30, 2001 and June 30, 2000 and the related statements of operations and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Caddo Hospital Service District, d/b/a North Caddo Medical Center at June 30, 2001 and June 30, 2000 and the results of its operations, changes in fund balances, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 29, 2001 on our consideration of North Caddo Hospital Service District, d/b/a North Caddo Medical Center's internal control and its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Cole, Evans & Peterson
Cole, Evans & Peterson

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTERBALANCE SHEETS-PROPRIETARY FUNDAT JUNE 30, 2001 AND JUNE 30, 2000

	Enterprise Fund June 30	
<u>A S S E T S</u>	<u>2001</u>	<u>2000</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents (Note 4)	931,492	888,463
Certificates of Deposit (More than Three Month Maturities) (Note 4)	200,000	500,000
Accounts Receivable from Patient Services-Net of Estimated Allowances and Uncollectible Accounts (Note 3)	1,078,965	915,749
Accounts Receivable-Other		35,937
Interest Receivable	703	854
Inventories-Drugs and Supplies	115,659	133,385
Prepaid Expenses	<u>33,977</u>	<u>18,452</u>
Total Current Assets	2,360,796	2,492,840
<u>Fixed Assets: (Note 5)</u>		
Land	95,367	95,367
Land Improvements	173,837	173,837
Buildings and Building Improvements	1,903,070	1,903,070
Equipment	2,069,681	1,926,974
Equipment Held Under Capital Leases (Note 6)	<u>308,464</u>	<u>308,464</u>
	4,550,419	4,407,712
<u>Less-Accumulated Depreciation</u>	<u>3,071,020</u>	<u>2,798,069</u>
Net Fixed Assets	1,479,399	1,609,643
<u>Other Assets:</u>		
Unamortized Cost of Tax Election	<u>5,463</u>	<u>6,555</u>
Total Assets	<u>3,845,658</u>	<u>4,109,038</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

BALANCE SHEETS-PROPRIETARY FUND

AT JUNE 30, 2001 AND JUNE 30, 2000

	Enterprise Fund June 30	
<u>LIABILITIES AND FUND BALANCE</u>	<u>2001</u>	<u>2000</u>
<u>Current Liabilities:</u>		
Accounts Payable (Note 16)	163,753	110,887
Estimated Third-Party Payor Settlements (Note 3)	661,466	669,848
Accrued Salaries, Withholdings and Retirement	93,179	81,375
Accrued Employee Vacation Benefits	53,522	51,008
Accrued Interest Payable	632	244
Capital Lease Obligations-Current Portion (Note 6)	<u>68,258</u>	<u>59,903</u>
Total Current Liabilities	1,040,810	973,265
<u>Long-Term Liabilities:</u>		
Capital Lease Obligations (Note 6)	115,240	175,143
<u>Less-Current Portions</u>	<u>68,258</u>	<u>59,903</u>
Total Long-Term Liabilities	46,982	115,240
<u>Commitments and Contingent Liabilities (Note 7)</u>		
Total Liabilities	<u>1,087,792</u>	<u>1,088,505</u>
<u>Fund Balance:</u>		
Restricted	- 0 -	- 0 -
Unrestricted	<u>2,757,866</u>	<u>3,020,533</u>
Total Fund Balance	<u>2,757,866</u>	<u>3,020,533</u>
Total Liabilities and Fund Balance	<u>3,845,658</u>	<u>4,109,038</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

STATEMENTS OF OPERATIONS AND
CHANGES IN FUND BALANCES-PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000

	Enterprise Fund Year Ended June 30	
	<u>2001</u>	<u>2000</u>
<u>Operating Revenues:</u>		
Net Patient Revenues (Note 3)	4,961,270	4,717,236
Other Operating Revenue	<u>8,192</u>	<u>4,694</u>
Total Operating Revenues	4,969,462	4,721,930
<u>Operating Expenses:</u>		
Direct Departmental Expenses (Note 16)	3,218,471	3,301,360
Housekeeping	154,120	174,579
Maintenance and Utilities	132,011	182,573
Medical Records	102,841	86,520
General and Administrative (Notes 8, 9, 11, 15 and 16)	974,388	851,896
Bad Debts (Note 3)	587,774	486,070
Depreciation (Note 5)	272,951	274,175
Amortization	1,093	1,093
Interest Expense	<u>13,254</u>	<u>17,580</u>
Total Operating Expenses	<u>5,456,903</u>	<u>5,375,846</u>
<u>Operating (Loss)</u>	(487,441)	(653,916)
<u>Nonoperating Revenues:</u>		
Interest Income	53,583	50,942
Property Tax Revenues (Note 10)	161,591	158,996
Grant (Notes 16 and 17)		320,000
Rent Income (Notes 13 and 16)	9,600	9,600
Gain on Sale of Equipment		235
Loss on Impairment of Long-Lived Assets (Note 18)		(4,710)
Total Nonoperating Revenues	<u>224,774</u>	<u>535,063</u>
<u>(Decrease) in Unrestricted Fund Balance</u>	(262,667)	(118,853)
<u>Unrestricted Fund Balance at Beginning of Year</u>	<u>3,020,533</u>	<u>3,139,386</u>
<u>Unrestricted Fund Balance at End of Year</u>	<u>2,757,866</u>	<u>3,020,533</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

STATEMENTS OF CASH FLOWS-PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000

	Enterprise Fund Year Ended June 30	
	<u>2001</u>	<u>2000</u>
<u>Cash Flows from Operating Activities:</u>		
(Decrease) in Unrestricted Fund Balance (Exhibit B)	(262,667)	(118,853)
Reconciliation of (Decrease) in Unrestricted Fund Balance to Cash Flows from Operating Activities:		
Depreciation and Amortization	274,043	275,268
Interest Income on Investing Activities	(53,583)	(50,942)
Property Tax Revenues	(161,591)	(158,996)
Interest Expense on Financing Activities	13,254	17,580
(Gain) on Assets Sold		(235)
Grant from Noncapital Financing Activities		(320,000)
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	(127,279)	53,995
Increase in Accounts Payable	58,802	272,225
(Increase) in Prepaid Expenses	(15,525)	(3,755)
Decrease (Increase) in Inventory	<u>17,726</u>	<u>(1,355)</u>
Net Cash (Used) by Operating Activities	(256,820)	(35,068)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Property Tax Revenues Received	161,591	158,996
Grant Received		<u>320,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>161,591</u>	<u>478,996</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and Construction of Capital Assets	(142,707)	(49,376)
Proceeds from Sale of Assets		235
Principal Payments on Capital Leases	(59,903)	(60,838)
Interest Payments on Capital Leases	<u>(12,866)</u>	<u>(18,711)</u>
Net Cash (Used) by Capital and Related Financing Activities	(215,476)	(128,690)
<u>Cash Flows from Investing Activities:</u>		
Interest Income on Investments	53,734	51,527
Purchase of Certificates of Deposit	(200,000)	(800,000)
Redemption of Certificates of Deposit	<u>500,000</u>	<u>1,100,000</u>
Net Cash Provided by Investing Activities	<u>353,734</u>	<u>351,527</u>
<u>Increase in Cash and Cash Equivalents</u>	43,029	666,765
<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>888,463</u>	<u>221,698</u>
<u>Cash and Cash Equivalents at End of Year</u>	<u>931,492</u>	<u>888,463</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements are prepared in conformity with generally accepted accounting principles. Application of those principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates. See Note 12 concerning significant estimates.

A summary of significant accounting policies follows:

Fund Types and Basis of Accounting

North Caddo Hospital Service District, d/b/a North Caddo Medical Center (The Medical Center) accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units.

Given the nature of the Medical Center's activities, only one proprietary type fund, an enterprise fund, is maintained. The Medical Center conducts its activities on a fee for service basis in a manner similar to commercial enterprises that provide services to the public. Proprietary fund types are accounted for on the accrual basis.

Budgets and Budgetary Accounting

Under Louisiana law, hospital service districts are not required to operate under a formal budget. Accordingly, budgetary accounting is not presented in the financial statements.

Statement of Operations Classifications

Revenues and expenses deemed by management to be ongoing, major, or central to the provision of health care services are reported as components of operating income. Transactions that are peripheral or incidental to providing health care services are reported as nonoperating.

Patient Revenue

Patient revenues are reported net of free services and contractual adjustments, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. See Note 3.

Fixed Assets and Depreciation

Fixed assets other than those held under capital leases are included at cost, or if donated, at fair value on the date of receipt. Depreciation is computed using the straight-line method over the assets' estimated useful lives. See Note 5.

Gains and losses on the disposal of fixed assets are considered incidental to the provision of health care services and, as such, are reported as nonoperating.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Leases and Amortization

Assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. The assets are amortized over their related lease terms which approximate their estimated productive lives. Amortization of assets under capital leases is included in depreciation.

Inventories

Inventories are reported principally at cost using a first-in, first-out cost flow assumption.

Compensated Absences

The Medical Center's policy regarding employees' vacation pay provides that employees' earned and unused vacation benefits accumulate and vest. Therefore a liability is recorded for those unpaid benefits. The Medical Center does not provide any other compensated absences that accumulate and vest.

Advertising

Costs of advertising are expensed as incurred. See Note 11.

Income Taxes

As a component unit of the Caddo Parish Commission and the State of Louisiana (Note 2), the Hospital is exempt from income taxes.

Amortization of Intangibles

The costs of an election to levy taxes for the Medical Center's benefit have been capitalized and are being amortized over the life of the levy (10 years) beginning with the year ended June 30, 1997, the year during which the tax levy was approved.

Cash Equivalents

Cash and cash equivalents includes all unrestricted highly liquid deposits and debt instruments acquired with maturities of three months or less.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting and Statement No. 29, The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities, the Medical Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements and which were developed for business enterprises.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. See Note 14.

Note 2 - Organization and Operations

The Medical Center is located in Vivian, Louisiana and provides in-patient and out-patient acute and nonacute medical care, including emergency services, primarily to patients residing in the Vivian area. A significant portion of the Medical Center's revenues are from patients who are beneficiaries under the Medicare program. See Note 3.

The Medical Center is organized and operated as a hospital service district under Louisiana Revised Statutes, Chapter 10, Title 46 and is a component unit of the Caddo Parish Commission (the Commission). It has no component units in its operations. The Medical Center operates and is financially independent of the Commission.

Since the Medical Center is a component unit of the Commission it is considered part of the Commission and is included as such for financial reporting purposes. The governing authority of the Medical Center is a board of commissioners consisting of six voting members (the Board). The members are appointed by the Commission for six-year terms. The governing authority of the Medical Center board was established by an ordinance of the Commission.

The Medical Center was determined to be a component unit of the Commission due to its financial accountability to the Commission as follows:

The Commission has the ability to appoint or remove members of the Board at will.

The Commission requires the Board to advise them on problems concerning the operation of the Medical Center and other facilities.

The accompanying financial statements present information only on the sole fund maintained by the Medical Center and do not present information on the Commission.

Note 3 - Patient Revenues and Accounts Receivable

The Medical Center has agreements with third-party payors that provide for reimbursement to the Medical Center at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Medical Center's established rates for services and amounts reimbursed by third-party payors.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 3 - Patient Revenues and Accounts Receivable (Continued)

Under the Medicare program, inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Prior to August 1, 2000, inpatient nonacute services, outpatient services, and defined capital and medical education costs related to Medicare beneficiaries were paid based upon a cost reimbursement method. Effective August 1, 2000, outpatient services are paid at prospectively determined rates per procedure. These rates vary according to an ambulatory classification system. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits by the Medicare fiscal intermediary.

For the years ended June 30, 2001 and June 30, 2000, the Medical Center received approximately 56 percent and 66 percent respectively, of its gross patient revenue (40 and 56 percent, respectively, of its net patient revenues) from Medicare beneficiaries. These revenues are subject to health insurance program fiscal intermediary review and retroactive adjustment. Cost reports for the years ended June 30, 2001, 2000 and 1999 are subject to examination. Provisions have been made for estimated settlements and adjustments.

Under the Louisiana Medicaid program, inpatient services are reimbursed at a per diem rate, and outpatient services are reimbursed under a cost reimbursement method. Under the cost reimbursement method, the Medical Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits by the Medicaid fiscal intermediary. Under the per diem method, one established rate is used for all patient stays regardless of the magnitude or complexity of the services provided. The Medical Center's Medicaid cost reports for the years ended June 30, 2001, 2000 and 1999, are subject to examination by the Medicaid fiscal intermediary. Provisions have been made for estimated settlements and adjustments.

The Medical Center has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations which result in contractual adjustments from established rates.

A summary of patient revenues for the years ended June 30, 2001 and June 30, 2000 follows:

	Year Ended June 30	
	<u>2001</u>	<u>2000</u>
Patient Revenues at Established Rates	\$ 8,574,788	\$ 8,354,204
<u>Less-Deductions from Patient Revenues:</u>		
Provisions for Contractual Adjustments		
Under Third-Party Reimbursement		
Programs	3,853,167	3,857,838
Medicaid Disproportionate Share Payments		
Received	(239,649)	(220,870)
	<u>3,613,518</u>	<u>3,636,968</u>
Net Patient Revenues	\$ <u>4,961,270</u>	\$ <u>4,717,236</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER
NOTES TO FINANCIAL STATEMENTS

Note 3 - Patient Revenues and Accounts Receivable (Continued)

The Medical Center qualifies for Medicaid "disproportionate share payments" under the 1997 Rural Hospital Preservation Act. Such payments are contingent on annual federal funding and recognized as decreases to contractual adjustments in the year received. See Note 20 concerning overpayments of disproportionate share payments.

The Medical Center grants credit without collateral to its patients, most of whom are from the Vivian, Louisiana vicinity. The mix of receivables from patients and third-party payors at June 30, 2001 and June 30, 2000 is as follows:

	At June 30	
	<u>2001</u>	<u>2000</u>
Medicare	29.40%	32.34%
Medicaid	5.20	7.22
Other Third-Party Payors and Patients	<u>65.40</u>	<u>60.44</u>
	<u>100.00%</u>	<u>100.00%</u>

Net accounts receivable from patient services is comprised as follows:

	At June 30	
	<u>2001</u>	<u>2000</u>
Gross Patient Accounts Receivable	\$ 2,544,055	\$ 2,077,168
Estimated Allowances for Bad Debts and Contractual Adjustments Under Third- Party Reimbursement Programs (Note 12)	(<u>1,465,090</u>)	(<u>1,161,419</u>)
Net Accounts Receivable from Patient Services	\$ <u>1,078,965</u>	\$ <u>915,749</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 4 - Cash and Certificates of Deposit

Louisiana law requires banks and savings and loan associations to secure a government's deposits (cash in banks) by pledging qualifying securities as collateral. For this purpose "cash in banks" is comprised of the account balances according to the banks' records which at June 30, 2001 are as follows:

	<u>Citizens Bank & Trust</u>	<u>First Guaranty Bank</u>
Cash in Banks	\$ <u>942,855</u>	\$ <u>233,455</u>
Insured by FDIC	\$ <u>100,000</u>	\$ <u>100,000</u>
Collateralization-Fair Market Value	\$ <u>1,013,567</u>	\$ <u>161,382</u>
Uncollateralized	\$ <u>- 0 -</u>	\$ <u>- 0 -</u>

Collateral is held by the pledging financial institutions' trust department in the name of North Caddo Medical Center.

Note 5 - Depreciation

Depreciation expense and the estimated useful lives of the major categories of fixed assets are as follows:

	<u>Year Ended June 30</u>	
	<u>2001</u>	<u>2000</u>
Buildings and Building Improvements (10-40 years)	\$ 70,392	\$ 70,326
Equipment (4-25 years)	192,982	193,460
Land Improvements (8-20 years)	<u>9,577</u>	<u>10,389</u>
	\$ <u>272,951</u>	\$ <u>274,175</u>

Note 6 - Capital Leases

The Medical Center leases laboratory equipment under a capital lease which expires in the year 2002. The lease automatically transfers ownership of the laboratory equipment to the Medical Center at the end of the lease term.

During the year ended June 30, 1999, the Medical Center signed a capital lease for a new AS/400 computer system, which expires in the year 2003. The lease automatically transfers ownership of the equipment to the Medical Center at the end of the lease term.

The Medical Center leases a CT scanner and laser camera under capital leases which expire in the year 2003. The Medical Center may purchase the CT scanner and laser camera for \$1 each at the end of the lease.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 6 - Capital Leases (Continued)

Following is a summary of property held under capital leases:

	At June 30	
	<u>2001</u>	<u>2000</u>
Laboratory Equipment	\$ 17,184	\$ 17,184
Computer Equipment	50,000	50,000
CT Scanner	186,680	186,680
Laser Camera	<u>54,600</u>	<u>54,600</u>
	308,464	308,464
<u>Less-Accumulated Depreciation</u>	<u>209,443</u>	<u>147,750</u>
	<u>\$ 99,021</u>	<u>\$160,714</u>

Minimum future lease payments under these leases are as follows:

<u>Year Ended June 30</u>	<u>CT Scanner</u>	<u>Laser Camera</u>	<u>Computer Equipment</u>	<u>Laboratory Equipment</u>	<u>Total</u>
2002	\$ 46,212	\$ 13,512	\$ 11,628	\$ 3,993	\$ 75,345
2003	25,317	9,653	11,628	- 0 -	46,598
2004	<u>- 0 -</u>	<u>- 0 -</u>	<u>1,939</u>	<u>- 0 -</u>	<u>1,939</u>
	71,529	23,165	25,195	3,993	123,882
<u>Less-Amount Representing Interest</u>	<u>5,022</u>	<u>1,781</u>	<u>1,651</u>	<u>188</u>	<u>8,642</u>
Net Present Value of Minimum Lease Payments	<u>\$ 66,507</u>	<u>\$ 21,384</u>	<u>\$ 23,544</u>	<u>\$ 3,805</u>	<u>\$115,240</u>
Imputed Rate of Interest	9.05%	9.04%	6.10%	9.75%	

Note 7 - Commitments and Contingent Liabilities

See Note 3 regarding contingencies concerning the Medical Center's Medicare and Medicaid cost reports.

See Note 6 concerning capital lease commitments.

See Note 8 concerning operating lease commitments.

See Note 14 regarding insurance contingencies.

See Note 15 regarding self-funded unemployment claims.

See Note 20 regarding overpaid Medicaid Disproportionate Share Payments.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 8 - Operating Leases

The Medical Center has entered into several operating leases for telephones, other equipment, and real estate. These operating leases range from one month to five years with expiration dates through October 2004. Rent expense under these leases for the years ended June 30, 2001 and June 30, 2000 is as follows:

	Year Ended June 30	
	<u>2001</u>	<u>2000</u>
Telephones	\$ 15,369	\$ 15,965
Other Equipment	23,709	25,913
Real Estate	<u>1,575</u>	<u>2,506</u>
	<u>\$ 40,653</u>	<u>\$ 44,384</u>

Minimum future rental payments under noncancelable operating leases are as follows:

<u>Year Ending June 30</u>	
2002	\$ 19,913
2003	9,936
2004	9,936
2005	<u>3,312</u>
	<u>\$ 43,097</u>

Note 9 - Pension Plan

Plan Description

The Medical Center contributes to the Parochial Employees' Retirement System of Louisiana, a Public Employee Retirement System (the Plan), that is a cost sharing multiple-employer plan established by the Louisiana legislature as of January 1, 1953, by Act 205 of 1952. The system was revised by Act No. 765 of 1979, effective January 1, 1980, to replace the "regular plan" with the Plan B Fund of which the Medical Center is a participant. Plan B provides retirement and disability benefits and death benefits to plan members and beneficiaries. The Retirement System is governed by the Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the State of Louisiana.

The Parochial Employees' Retirement System of Louisiana, Inc. issues a publicly available financial statement report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing the Parochial Employees' Retirement System of Louisiana, Inc., Post Office Box 14619, Baton Rouge, Louisiana, 70898-4619.

Plan Funding

Employer and employee contributions to the Plan are established by state statute. For the years ended December 31, 2000 and December 31, 1999, Employee contributions are 2 percent of covered wages in excess of \$100 per month. Employer contributions are 2.75 percent and 2.5 percent, respectively, of covered wages for the years ended December 31, 2000 and December 31, 1999. In addition to the aforementioned contributions the tax collectors of various parishes contribute one fourth of one percent of all tax collections.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 9 - Pension Plan (Continued)

The Medical Center's contributions to the Plan for the most recent three years are as follows:

Year Ended June 30,	<u>Amount</u>	<u>Percentage of Required Amount</u>
2001	\$ 51,152	100%
2000	52,203	100%
1999	52,558	100%

Note 10- Property Tax Revenues

The Medical Center received \$161,591 and \$158,996 in property tax revenues for the years ended June 30, 2001 and June 30, 2000, respectively. This revenue is used primarily for establishing, maintaining and operating an ambulance service for the residents of the North Caddo Hospital Service District. Any revenues in excess of the ambulance service costs may be used for maintaining, operating, and improving the Medical Center.

The property tax is assessed on January 1, levied not later than June 1, due by December 31, and lien on January 1 (one year after the assessment date). The Caddo Parish Sheriff Department collects the taxes. The property tax revenues are summarized as follows:

	<u>Year Ended June 30</u>	
	<u>2001</u>	<u>2000</u>
Property Tax Assessment	\$ 173,506	\$ 176,112
Allowance for Uncollectible Assessments	(<u>17,529</u>)	(<u>20,545</u>)
Property Tax Collected	155,977	155,567
Adjustments, Interest and Prior Period Collections	<u>5,614</u>	<u>3,429</u>
Property Taxes Reported	\$ <u>161,591</u>	\$ <u>158,996</u>

The ambulance service property tax levy expired in May 1997. A renewal vote to extend the tax levy for an additional ten years was held in March 1997 and was approved. The renewed tax levy will expire in May 2007.

Note 11- Advertising

Advertising costs for the years ended June 30, 2001 and June 30, 2000 are \$15,574 and \$7,850, respectively.

Note 12- Significant Estimates

As described at Note 3, estimated allowances from accounts receivable for bad debts and contractual discounts and settlements have been provided. Due to uncertainties inherent in the estimation of such allowances, it is at least reasonably possible that actual bad debts and contractual discounts and settlements that materialize in the near term could differ materially from the estimates.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 12- Significant Estimates (Continued)

As described at Note 14, the Medical Center participates in the Louisiana Hospital Association Malpractice Insurance Trust Fund and Workman's Compensation Group Self-Insurance Fund. Due to uncertainties inherent in the estimation of potential claims, it is at least reasonably possible that actual claims that materialize in the near term could differ materially from the estimates.

As described at Note 20, management has estimated amounts payable for cost reimbursements overpaid by Medicaid. Due to the highly complex rules of the Medicaid program, it is at least reasonably possible that the actual amounts repaid to the Medicaid program could differ materially from the estimates.

Note 13- Rental Income

The Medical Center leases office space in its Extended Services building to Willis-Knighton Medical Center under a month-to-month lease (the original three-year operating lease expired June 30, 2000). Rental income is presented in the statement of operations as nonoperating revenue. Rental income for each of the years ended June 30, 2001 and June 30, 2000 is \$9,600. See Note 16.

Note 14- Insurance

The Medical Center is a participant of the Louisiana Hospital Association Malpractice Insurance Trust Fund and Workmen's Compensation Group Self-Insurance Fund. These trust funds retrospectively set premiums for members based on the loss history of each entire group. The Medical Center expenses premiums paid to these multi-provider captive insurance companies over the policy periods covered.

According to the trust document for the Malpractice Insurance Trust (the Trust), participants are jointly and severally liable for the obligations of the Trust with the right of indemnity among the participants for each participant's pro rata share of the obligation as formulated in the trust document. Each participant has this contingent assessment liability for the payment of actual losses and expenses incurred while a participant in the Trust. This contingent liability is not to exceed the amount necessary to make up trust fund deficiencies in the trust fund year in which the obligations were incurred, and such liability is not to exceed an amount equal to the charges otherwise due by such participant during such plan year.

According to the trust document for the Workmen's Compensation Group Self-Insurance Fund (the Fund), participants are liable jointly and in solido for claims not paid pursuant to Subpart J of Part I of Chapter 10 of Title 23 of the Louisiana Revised Statutes of 1950, with the right of indemnity among the participants for each participant's pro rata share of the obligation as formulated in the trust document. Each participant has this contingent assessment liability for the payment of actual losses and expenses incurred while a participant in the Fund, but only to the extent that such losses and expenses are not paid by the excess coverage secured by the Fund.

Under current Louisiana law, the Medical Center's liability for medical malpractice is statutorily limited to \$500,000 per claim. To cover this exposure, the Medical Center has obtained insurance coverage of \$100,000 per claim with the Louisiana Hospital Association Malpractice and General Liability Trust and an additional \$400,000 per claim with the State of Louisiana Patient's Compensation Fund.

Management does not believe that any significant contingent liabilities exist under these insurance arrangements.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 15- Self-Funded Unemployment Claims

The Medical Center became self-funded with respect to unemployment claims effective October 1, 1998. As a self-funded employer, the Medical Center must reimburse the Louisiana Department of Labor on a dollar-for-dollar basis for unemployment benefits paid to former employees. No claims were paid by the Louisiana Department of Labor on behalf of the Medical Center during the years ended June 30, 2001 and June 30, 2000.

The Medical Center signed a three-year contract with Temple Resource Management, Inc. (TRM) for claims management services at an annual cost of \$2,000. TRM evaluates all claims, recommends appropriate action for all notices the Medical Center receives from the Louisiana Department of Labor, and audits the experience rates and unemployment benefits charged to the Medical Center.

Management does not believe that any significant contingent liabilities exist under this arrangement at June 30, 2001.

Note 16- Related Party Transactions

On August 25, 1997, to expedite the completion of patient charts and thereby improve the Medical Center's cash flow, the Medical Center approved a contract whereby the Medical Center agreed to share equally with the Medical and Surgical Clinic (the "Clinic") the employment costs of a physician's assistant employed by the Clinic. On or about October 20, 1998, Dr. Stephen Taylor, a staff physician of the Medical Center, was appointed to the Medical Center's board of commissioners. Dr. Taylor has a financial interest in the Clinic. Dr. Taylor resigned from the Board due to a possible conflict of interest effective September 21, 1999. During the year ended June 30, 2000, the Medical Center terminated the contractual arrangement with the Clinic effective April 22, 2000.

During the year ended June 30, 2000, while Dr. Taylor served as a voting member of the Medical Center's board, the Medical Center disbursed \$5,615 to the Clinic for its share of the physician assistant's employment cost.

On April 24, 2000 the Medical Center entered into a management contract with Willis-Knighton Medical Center (WKMC). Under this contract, WKMC has agreed to manage the operations of the Medical Center and to provide the Medical Center with a qualified administrator. The administrator is an employee of WKMC and acts on behalf of WKMC in the Medical Center's best interest. The contract is for three years and requires that the Medical Center reimburse WKMC for the salary and benefits of the Medical Center's administrator.

During the year ended June 30, 2001 and the period April 24, 2000 to June 30, 2000, the Medical Center received rental income from WKMC in the amount of \$9,600 and \$1,600, respectively, for leased office space in its Extended Services building. See Note 13.

During the period April 24, 2000 to June 30, 2000, the Medical Center received grant income from WKMC in the amount of \$53,333 as reimbursement for anesthesiology physician fees. See Note 17.

During the year ended June 30, 2001 and the period April 24, 2000 to June 30, 2000, the Medical Center paid WKMC, \$159,275 and \$15,618, respectively, for the administrator's salary and benefits, office supplies, laundry services and various patient services.

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

NOTES TO FINANCIAL STATEMENTS

Note 16- Related Party Transactions (Continued)

At June 30, 2001 and June 30, 2000, the Medical Center owes WKMC \$28,603 and \$17,207, respectively, for various services and supplies, which is included in accounts payable.

Note 17- Grant Income

During the year ended June 30, 2000, the Medical Center received \$320,000 from Willis-Knighton Medical Center as reimbursement for anesthesiology physician fees. The purpose of this grant is to help the Medical Center re-establish an obstetrics department. See Note 16.

Note 18- Loss on Impairment of Long-Lived Assets

During the year ended June 30, 2000, the Medical Center recognized an impairment loss on laboratory equipment on a significant decrease in the fair market value of the asset as determined by a comparison of the equipment's value to the value of similar laboratory equipment in the same physical condition.

	Carrying <u>Amount</u>	Fair <u>Value</u>	Impairment <u>Loss</u>
Baker Hematology Equipment	\$ <u>4,710</u>	\$ <u>- 0 -</u>	\$ <u>4,710</u>

Note 19- Concentrations

See Note 3 concerning revenues derived from patients who are beneficiaries under the Medicare program.

See Note 3 concerning significant financial resources provided from Medicaid Disproportionate Share Payments.

Note 20- Medicaid Disproportionate Share Payments

In December 2000, the Medical Center was notified by one of its consultants that the reports used to calculate the Medicaid unreimbursed costs (Medicaid Disproportionate Share Payments – Note 3) affecting the years ended June 30, 1998, 1999 and 2000 appear to have been miscalculated. Due to the highly complex and technical issues involved, the amounts of the overpayments owed to the Medicaid program are not readily determinable. Management estimates the total amount of the overpayments for the three years will range from \$600,000 to \$900,000 with the effects on each year being approximately equal. Management does not believe any amount within the range to be a better estimate than any other amount. In cases where only a range of a contingency can be reasonably estimated, and no amount within the range is better than any other amount, generally accepted accounting principles call for the accrual of the amount at the low end of the range. Accordingly, the Medical Center has accrued \$600,000 at June 30, 2000 for overpayments owed to the Medicaid program, which remains unchanged at June 30, 2001.

COLE, EVANS & PETERSON

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August 29, 2001

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

Our audits of the June 30, 2001 and June 30, 2000 financial statements of North Caddo Hospital Service District, d/b/a North Caddo Medical Center were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 through 5 which follow are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cole, Evans & Peterson
Cole, Evans & Peterson

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

REVENUE, DEDUCTIONS FROM REVENUE AND DIRECT DEPARTMENTAL EXPENSE

FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000

	<u>Year Ended June 30,</u>			<u>Year Ended June 30,</u>		
	<u>2001</u>			<u>2000</u>		
<u>Department:</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>	<u>Revenue</u>	<u>Expense</u>	<u>Net</u>
Patient Care	1,559,384	988,579	570,805	1,606,353	1,083,869	522,484
Radiology	392,162	128,323	263,839	408,863	141,804	267,059
Pharmacy	931,375	298,708	632,667	965,118	269,427	695,691
Laboratory	1,266,072	336,202	929,870	1,225,994	326,815	899,179
Operating and Recovery	160,683	37,637	123,046	288,206	65,704	222,502
Emergency Room	994,973	494,716	500,257	503,548	344,501	159,047
Cardiac Care (Monitor)	44,244	6,098	38,146	88,506	2,495	86,011
Anesthesiology	8,769	143,620	(134,851)	207,791	330,010	(122,219)
Inhalation Therapy	1,219,261	159,018	1,060,243	1,124,499	150,897	973,602
Central Supply	347,722	86,695	261,027	441,694	105,000	336,694
Physical Therapy	12,070	4,295	7,775	5,257	2,245	3,012
CT Scanner	715,710	106,093	609,617	602,533	106,426	496,107
Nuclear Medicine	17,330	10,204	7,126	17,560	12,302	5,258
Cardiology	266,771	5,996	260,775	235,943	37,924	198,019
Kid-Med	40,670	48,622	(7,952)	46,579	38,089	8,490
Social Services		5	(5)	3,400	8	3,392
Treatment Room	208,125	21,378	186,747	245,334	19,740	225,594
Ambulance	258,278	220,086	38,192	217,512	206,651	10,861
Obstetrics	85,963	59,675	26,288	94,539	52,368	42,171
Pain Management	31	19	12	4,517	15	4,502
Ultrasound	14,542	4,641	9,901	20,458	5,070	15,388
Health Unit	<u>30,653</u>	<u>57,861</u>	<u>(27,208)</u>			
Totals	8,574,788	<u>3,218,471</u>	<u>5,356,317</u>	8,354,204	<u>3,301,360</u>	<u>5,052,844</u>
<u>Deductions from Revenues:</u>						
Medicare and Medicaid Discounts	(3,558,754)			(3,485,470)		
Medicaid Disproportionate						
Share Payments Received	239,649			220,870		
Other Contractual Adjustments	(294,413)			(372,368)		
Net Deductions	<u>(3,613,518)</u>			<u>(3,636,968)</u>		
Net Patient Revenues	<u>4,961,270</u>			<u>4,717,236</u>		

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTERGENERAL AND ADMINISTRATIVE EXPENSESFOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000

	Year Ended June 30	
	<u>2001</u>	<u>2000</u>
General and Administrative Salaries	254,061	206,146
Auditing Fees	17,000	19,000
Legal Fees	2,126	19,316
Cost Report Preparation and Consulting	27,912	12,419
Telephone	25,550	22,926
Insurance	70,169	84,370
Employee Benefits and Payroll Taxes	401,461	347,775
Supplies and Other	<u>176,109</u>	<u>139,944</u>
	<u>974,388</u>	<u>851,896</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTERCOMPENSATION PAID TO MEMBERS OF THE BOARD OF COMMISSIONERSFOR THE YEAR ENDED JUNE 30, 2001

<u>Compensation (including per diem)</u> <u>Paid to Board Members:</u>	<u>Paid Board</u> <u>Meetings Attended</u>	<u>Compensation</u>
Earl G. Williamson, Jr.	12	720
Kenneth D. Clay	11	990
Bob L. Bogan (Resigned December 19, 2000)	4	340
Robert Guth	12	720
Helen Adger	12	720
Mary Jane Dominick (Appointed August 8, 2000)	10	580
Scott Welch (Appointed March 22, 2001)	<u>3</u>	<u>120</u>
	<u>64</u>	<u>4,190</u>

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

SUMMARY OF OPERATING RESULTS

	Year ended June 30				
	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Total Gross Revenue	8,807,754	8,893,961	8,869,112	7,653,223	7,868,823
Discounts and Bad Debts	4,201,292	4,123,038	4,250,930	3,682,442	3,478,210
Cost and Expenses	<u>4,869,129</u>	<u>4,889,776</u>	<u>4,675,775</u>	<u>4,268,652</u>	<u>4,105,191</u>
Net Income (Loss)	(<u>262,667</u>)	(<u>118,853</u>)	(<u>57,593</u>)	(<u>297,871</u>)	<u>285,422</u>
Total Hospital Patient Days	2,966	2,768	2,964	2,708	2,755
Admissions	836	711	724	692	682
Inpatient Revenue per Patient Day	1,788	1,889	1,849	1,903	1,875
Inpatient Revenue as a Percent of Total Patient Revenue	61.84%	62.60%	63.97%	69.41%	67.91%
Net Income (Loss) per Patient Day	(88.49)	(42.94)	(19.43)	(110.00)	103.60
Net Income (Loss) as a Percent of Gross Patient Revenues	(3.06)%	(1.42)%	(.67)%	(4.01)%	3.75%
Number of Days Net Patient Revenues in Net Patient Receivables	79.38	71.05	70.96	68.05	82.94
Number of Days Net Patient Revenues (Without Medicaid Disproportionate Share Payment) in Net Patient Receivables	83.41	74.34	74.59	72.21	82.94
Average Length of Patient Stay in Days	3.55	3.89	4.09	3.91	4.04

NORTH CADDO HOSPITAL SERVICE DISTRICT, d/b/a NORTH CADDO MEDICAL CENTER

FIXED ASSETS AND ACCUMULATED DEPRECIATION

FOR THE YEAR ENDED JUNE 30, 2001

	ASSETS			ACCUMULATED DEPRECIATION					
	Balance 6-30-00	Additions	Deductions	Balance 6-30-01	Balance 6-30-00	Additions	Deductions	Balance 6-30-01	Book Value 6-30-01
Land	95,367			95,367					95,367
Land Improvements	173,837			173,837	107,898	9,578		117,476	56,361
Buildings and Building Improvements	1,903,070			1,903,070	1,016,336	70,392		1,086,728	816,342
Equipment	1,926,974	142,707		2,069,681	1,526,085	131,288		1,657,373	412,308
Equipment Under Capital Leases	308,464			308,464	147,750	61,693		209,443	99,021
	4,407,712	142,707		4,550,419	2,798,069	272,951		3,071,020	1,479,399

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August 29, 2001

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
North Caddo Hospital Service District
Vivian, Louisiana

We have audited the financial statements of North Caddo Hospital Service District, d/b/a North Caddo Medical Center at and for the year ended June 30, 2001 and have issued our report thereon dated August 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

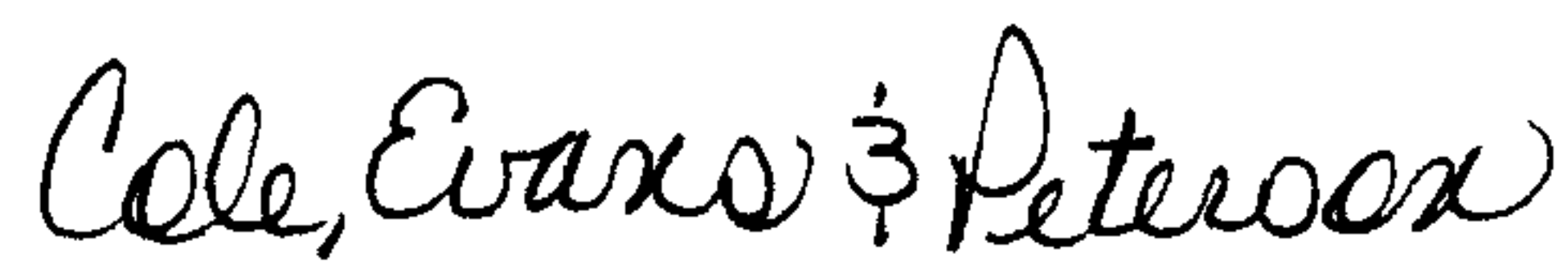
As part of obtaining reasonable assurance about whether North Caddo Hospital Service District, d/b/a North Caddo Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Caddo Hospital Service District, d/b/a North Caddo Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reports would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Caddo Parish Commission, Board of Commissioners, management, and others within the organization and the Office of the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.


Cole, Evans & Peterson

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August 29, 2001

INDEPENDENT AUDITORS' SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2001

We have audited the financial statements of North Caddo Hospital Service District, d/b/a North Caddo Medical Center at and for the year ended June 30, 2001, and have issued our report thereon dated August 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2001 resulted in an unqualified opinion.

Section 1 - Summary of Auditors' Report

a. Report of Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses - No

Reportable Conditions - No

Compliance

Compliance Material to the Financial Statements - No

b. Management Letter

Management letter issued - No

Section 2 - Financial Statement Findings

No findings noted.

Section 3 - Federal Award Findings and Questioned Costs

N/A

NORTH CADDO HOSPITAL SERVICE DISTRICT d/b/a NORTH CADDO MEDICAL CENTER

MANAGEMENT'S SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2001

Section 1 – Internal Control and Compliance Material to the Financial Statements

Finding 00-1 - La. Rev. Stat. 39:1221 requires bank deposits in excess of the FDIC insured amount to be fully collateralized with interest bearing securities. At June 30, 2000, the Medical Center's deposits with Citizens Bank & Trust totaled \$1,271,160 and were not fully insured or collateralized with government securities. The FDIC insured amount is \$100,000 and the amount of the government securities pledged as collateral was \$950,000. As a result, \$221,160 of the Medical Center's deposits at Citizens Bank & Trust were not collateralized with government securities at June 30, 2000.

Status – This condition has been resolved. Citizens Bank & Trust has now coded all of the Medical Center's bank accounts as "public fund" accounts and, therefore, all outstanding deposits are fully collateralized.

Finding 00-2 At June 30, 2000 La. Rev. Stat. 46:1053(C)(2)(a) permitted a per diem to each member of the commission in an amount of not less than \$25 nor more than \$40 for each day of attendance at meetings of the commission, not to exceed 12 meetings per year. The Medical Center's Board of Commissioners each were paid \$100 per day for their attendance at the regular monthly board meetings which was \$60 more than the maximum allowed by the above law. The chairperson of the Board was paid \$150 per day for his attendance at the regular monthly board meetings which was \$110 more than the maximum allowed by the above law.

Status – Beginning immediately with the November 2000 Board meeting, the members of the Board were paid \$40 per diem for each day of attendance at meetings of the commission, not to exceed 12 meetings per year in accordance with La. Rev. Stat. 46:1053(C)(2)(a). Furthermore, La. Rev. Stat. 46:1053(C)(2)(a) was amended effective August 15, 2001 by House Bill 567 increasing the per diem to \$100 for each day of attendance at meetings of the commission.

Finding 00-3 - Medicare prohibits payment for services to entities other than the practitioner who provided the services unless the practitioner specifically authorizes the other entity to receive payment for his or her services, per Federal Regulation 42 CFR 424.80. To allow for the reassignment of the benefits due to employment or a contract between a physician and a hospital a HCFA 855R, Individual Reassignment of Benefits Application, is submitted to Medicare. Once Medicare approves this application then the hospital can bill Medicare for services provided under employment or contract by the physician. Medicare also requires that the Health Insurance Claim Form HCFA-1500 be completed with the name and unique personal identification number of the physician who performs services for a patient. The Medical Center had begun the practice of completing and submitting HCFA-1500 using two long-time staff physicians names and their unique physician identification numbers (UPIN) in cases where the physician that performed emergency room services had not yet obtained Medicare's approval for reassignment of benefits.

Status – The Medical Center no longer bills Medicare for a specific physician's services until Medicare has approved the reassignment of benefits. The Medical Center has implemented procedures to ensure that the HCFA 855R forms are completed and submitted to Medicare immediately after each new physician is approved by the board to practice at the Medical Center.

Finding 00-4 - During the audit fieldwork we noticed that the pharmacy doors were open and unlocked when unattended.

Status – This condition has been resolved. The pharmacy doors are now closed and locked when unattended.

Finding 00-5 - During the audit fieldwork we noticed that the medical records building is not properly safeguarded against unauthorized entry. The front and back doors are not always locked whether the building is attended or unattended by department personnel.

Status – This condition has been resolved. Policies for restricting access to the medical records building have been implemented.

Finding 00-6 - According to the contract between the Medical Center and Willis-Knighton Medical Center all increases or additional expenses paid under the contract must be first approved by the Board of Commissioners. In addition to reimbursing Willis-Knighton Medical Center for the Medical Center's Administrator's salary and benefits package, the board had also approved to pay the administrator \$400 per month for auto allowance. In addition to receiving the \$400 per month auto allowance, the Administrator was also using the Medical Center's Fuelman credit card for gasoline purchases, which had not been approved by the Board of Commissioners.

Status – This condition has been corrected. The Medical Center's Board of Commissioners, during Executive Session of the regular monthly board meeting held in November 2000, voted to approve the Administrator's use of the Medical Center's Fuelman credit card for gasoline purchases.

Finding 00-7 - The Medical Center was not consistent in the follow up of medical insurance claims filed. After an insurance claim had been filed on behalf of a patient, the Medical Center did not maintain a consistent policy of timely following up on the filed claims.

Status – This condition has been corrected. A policy has been adopted that insures that all filed insurance claims are followed up on a monthly basis.

Finding 00-8 - The Medical Center did not maintain or consistently apply collection procedures on patients' accounts receivable. The auditor noticed on several patient's accounts where the balances are over 90 days old with no activity on a patient's account, nor, was there any evidence where any contact with the patient, other than the monthly filed statements, had been made by the Medical Center.

Status – This condition has been corrected. The Medical Center created a new collection department and has hired two part-time employees for this department. The Medical Center established a written collection policy with a set of criteria of when additional collection efforts are required on the patient's account. This policy is consistently applied on a timely basis.

Section 2 - Internal Control and Compliance Material to Federal Awards

N/A

Section 3 - Management Letter

No findings during prior year.

